

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1881 - SB 1944

February 4, 2016

SUMMARY OF BILL: Reallocates all gas and oil severance tax collections to the county that was the site of the wellhead for the respective gas or oil, less a reasonable percentage as determined by the Department of Revenue (DOR) to cover the expenses of administration and collection of the tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$987,200

Increase Local Revenue – \$987,200

Assumptions:

- Pursuant to Tenn. Code Ann. § 60-1-301(a), a three percent severance tax is levied on the sale price of all gas and oil removed from the ground in Tennessee.
- Pursuant to Tenn. Code Ann. § 60-1-301(b), one-third of all revenue collected from the tax is allocated to the county which was the site of the wellhead for such gas or oil, and the remaining two-thirds is deposited to the state's General Fund.
- The proposed legislation will require all revenue collected from the tax, less a reasonable percentage to cover DOR's administration and collection expenses, to be allocated to the county from which the gas or oil is extracted.
- Average gas and oil severance tax collections for the past three fiscal years (FY12-13, FY13-14, and FY14-15) were \$1,506,186. Of this amount, \$502,062 ($\$1,506,186 \times 1/3$) was allocated to local governments and \$1,004,124 ($\$1,506,186 \times 2/3$) was deposited in the state's General Fund.
- Based on percentages received by DOR to cover the expenses of the administration and collection of the local option sales tax and the business tax, it is assumed that DOR will retain 1.125 percent of total severance tax collections for such purposes. As a result, DOR is estimated collect \$16,945 per year ($\$1,506,186 \times 1.125\%$).
- The recurring net decrease in state revenue and the corresponding recurring increase in local revenue are therefore estimated to be \$987,179 ($\$1,004,124 - \$16,945$).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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